

SENATE FINANCE COMMITTEE

April 2, 2010

9:02 a.m.

[9:02:10 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Esther Cha, Staff, Senator Lesil McGuire; Darwin Peterson, Staff, Co-Chair Stedman; Mike Pawlowski, Staff, Senator Lesil McGuire

PRESENT VIA TELECONFERENCE

None

SUMMARY

SB 117 PRICE OF CIGARETTES

CSSB 117 (L&C) was REPORTED out of Committee with a "do pass" recommendation and with zero FN 1 (REV).

SB 234 EXTEND ALCOHOLIC BEVERAGE CONTROL BOARD

SB 234 was heard and HELD in Committee for further consideration.

SB 239 IGNITION INTERLOCK DEVICES/DUI/CHEM. TEST

CSSB 239 (JUD) was REPORTED out of Committee with a "do pass" recommendation and with two zero fiscal notes: FN 1 (LAW) and FN 2 (ADM).

SB 243 NO ROYALTY ON GEOTHERMAL RESOURCE

CSSB 243 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new zero fiscal by the Department of Natural Resources, a new zero fiscal note by the Department of Administration, and a previously published zero FN 2 (REV).

SB 264 COMMERCIAL FISHING & AGRICULTURE BANK

SB 264 was REPORTED out of Committee with a "do pass" recommendation and with FN 1 (CED).

[9:02:52 AM](#)

#sb117

SENATE BILL NO. 117

"An Act requiring the Department of Revenue to set the minimum price for cigarettes for sale by wholesalers and retailers; and prohibiting a wholesaler or retailer from selling at wholesale or retail cigarettes at a lower price than the price set by the Department of Revenue."

Senator Olson asked if there had been any opposition to the bill from vendors.

ESTHER CHA, STAFF, SENATOR LESIL MCGUIRE, replied that so far, there has been no opposition. There was some opposition to the original version of the bill, but a compromise was reached.

Co-Chair Stedman noted one fiscal note. He stated that there had been public testimony on the bill.

[9:04:18 AM](#)

Co-Chair Hoffman MOVED to REPORT CSSB 117 (L&C) out of Committee with individual recommendations and the

accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSSB 117 (L&C) was REPORTED out of Committee with a "do pass" recommendation and with zero FN 1 (REV).

[9:04:44 AM](#)

#sb234

SENATE BILL NO. 234

"An Act extending the termination date of the Alcoholic Beverage Control Board; and providing for an effective date."

Co-Chair Hoffman MOVED to ADOPT the CS for SB 234, labeled 26-LS1350\E, Bullard, 3/31/10.

Co-Chair Stedman OBJECTED.

DARWIN PETERSON, STAFF, CO-CHAIR STEDMAN, explained the changes in the new CS. The first change is in Section 1 and deals with the quorum for the board. Previously, the executive director was allowed to vote in order to break a tie. Now, the executive director can no longer vote.

Mr. Peterson highlighted a second change found in Section 2, dealing with the statewide database. The board creates and maintains a statewide database on liquor purchased and shipped to rural parts of the state. Currently, information in the database is available to package store licensees, law enforcement, probation officers, and the board. The change is found on page 2, line 19-21, where now the person who is the subject of the information also has access to that information.

Mr. Peterson detailed the third change, which is found on page 2, line 25, in Section 4. Two sections in the alcohol title are being repealed. The board would no longer be allowed to use minors to access as apprentices if they are with a law enforcement officer.

[9:07:07 AM](#)

Senator Olson reported that initially the executive director was given the opportunity to vote because the board only had five members. He asked what was planned to

deal with a 2-2 split. Mr. Peterson replied that the board would have to wait until they had a quorum. At a previous hearing the executive director testified that she supported the change. Senator Olson restated his question to ask what the mechanism would be to rectify a split vote. Mr. Peterson explained that the issue before the board would not pass and the board would have to wait for five members to be present.

Senator Ellis thought one of the proposed changes would remove a primary tool of enforcement related to selling alcohol to underage Alaskans. He questioned the rationale. Mr. Peterson explained that in a previous hearing the chair testified that he felt it was unfair for the board to use minors when the owner of the premises and the employees are at complete risk and the minor, according to state statute, is not allowed to access those premises without an adult. The chair decided to remove those sections from statute so that the inconsistency was no longer in place. Now, it is up to the owner of the bar and the bartenders to card everyone who looks underage.

[9:09:27 AM](#)

Senator Ellis asked if law enforcement has expressed an opinion about the change. Mr. Peterson said that the law enforcement agency had not been asked about the change. Senator Ellis suggested that be done.

Co-Chair Stedman WITHDREW his OBJECTION to the adoption of the new CS.

Senator Ellis OBJECTED.

Senator Olson spoke from the experience of having run a business and having been wary of sting operations. He commented in favor of the change in the new CS.

Senator Ellis stated that he preferred to have law enforcement contacted in order to know if this is the right policy call.

[9:11:33 AM](#)

A roll call vote was taken on the motion.

IN FAVOR: Egan, Huggins, Olson, Thomas, Hoffman, Stedman

OPPOSED: Ellis

The motion to adopt CSSB 234 (FIN) passed (6-1).

SB 234 was heard and HELD in Committee for further consideration.

[9:12:21 AM](#)

#sb239

SENATE BILL NO. 239

"An Act relating to ignition interlock devices, to refusal to submit to a chemical test, and to driving while under the influence."

Senator Thomas asked if the interlock device had a timing device whereby if a person helped an intoxicated person start their car it would only run for a certain amount of time before needing to be restarted.

Ms. Cha said that was correct.

Co-Chair Stedman provided the history of the bill. He noted two zero fiscal notes.

Co-Chair Hoffman MOVED to REPORT CSSB 239 (JUD) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSSB 239 (JUD) was REPORTED out of Committee with a "do pass" recommendation and with two zero fiscal notes: FN 1 (LAW) and FN 2 (ADM).

[9:14:32 AM](#)

#sb243

SENATE BILL NO. 243

"An Act removing the royalty obligation for geothermal resources."

Co-Chair Hoffman MOVED to ADOPT CSSB 243 (FIN), labeled 26-LS1346\S, Bullock, 3/26/10.

Co-Chair Stedman OBJECTED.

MIKE PAWLOWSKI, STAFF, SENATOR LESIL MCGUIRE, explained that the changes in Version S of the bill attempt to remedy problems that the committee identified in a previous hearing. Geothermal resource, while it is renewable, is also subject to waste. The CS attempts to delineate the responsibility for the regulation of geothermal resources between the Department of Natural Resources (DNR) and the Alaska Oil and Gas Conservation Commission (AOGCC). The CS charges AOGCC with regulating drilling and exploration and waste of geothermal resources. The CS charges DNR with the regulation of utilization and land management. This is similar to the structure in place for oil and gas matters.

Mr. Pawlowski detailed the sections of the bill:

Section 1 amends AS 31.05.030 clarifying that the Alaska Oil and Gas Conservation Commission (AOGCC) has jurisdiction over the exploration and development of geothermal resources; except for the management of leases and units.

Section 2 amends the royalty rate for geothermal resources in AS 38.05.181(g) to reflect federal royalty rates; 1.75% of gross income during the first 10 years and 3.5% of gross income thereafter.

Section 3 adds a new section to AS 41.06 delineating jurisdiction over geothermal resources between the AOGCC and Department of Natural Resources (DNR).

Section 4 amends AS 41.06.010 to allow the AOGCC to investigate the waste of geothermal resources.

Section 5 repeals and reenacts AS 41.06.020 to set out the jurisdiction of the AOGCC over all land in the state and to allow for the suspension of the application of chapter 06 on federal land if similarly regulated by Federal government and clarifies the application of the chapter.

Section 6 amends AS 41.06.030(a) to clarify that a plan of development and operation for a geothermal resource must be filed with the AOGCC.

Section 7 amends AS 41.06.030(b) to clarify that unitization by DNR of a geothermal resource system under AS 41.06.030 when the geothermal resource system includes state land.

Section 8 amends AS 41.06.030(c) to conform to the changes made in section 7.

Section 9 amends AS 41.06.030 by inserting a new subsection (e) that allows the commissioner of DNR to adopt regulations necessary to implement the purposes and intent of chapter 6.

Section 10 amends AS 41.06 by adding a new section 41.06.035 allowing the AOGCC to issue orders and impose requirements to prevent waste and protect correlative rights on any geothermal operation. This section also allows the AOGCC to adopt regulations.

Section 11 repeals and reenacts AS 41.06.040(a) governing the authority of the AOGCC to adopt regulations governing the safe development of a geothermal resource.

Section 12 amends AS 41.06.040 (b) to allow the AOGCC to require a geothermal operator to file a surety bond.

Section 13 amends AS 41.06.040(c) to require notification of the AOGCC rather than the DNR is geothermal exploration encounters hydrocarbons and other fissionable materials.

Section 14 amends AS 41.06.040(d) to replace the commissioner of DNR with the AOGCC for the purposes of authorizing inspection of a geothermal operation.

Section 15 repeals and reenacts AS 41.06.050 governing the AOGCC permitting process for geothermal exploration and development drilling.

Section 16 amends AS 41.06 by adding a new section 41.06.055 authorizing a regulatory cost charge for geothermal wells.

Section 17 repeals and reenacts AS 41.06.060 providing definitions for AS 41.06

Section 18 repeals AS 41.06.030(d) governing lease operations under an approved plan of development and AS 41.06.040(e) the exemption from AOGCC authority of geothermal resources.

Section 19 adds a new section to the uncodified law of the State of Alaska that applies the royalty rates established by section 2 to leases entered into or renewed after the effective date of the act and directs the commissioner of DNR to offer the royalty rates established by section 2 to an existing lessee.

Section 20 adds a new section to the uncodified law of the State of Alaska that governs the transition of authorities over geothermal resources established in this act.

Section 21 adds a new section to the uncodified law of the State of Alaska that gives direction to the reviser of statutes.

Section 22 immediate effective date for section 20

Section 23 effective date of July 1, 2010

[9:19:31 AM](#)

Co-Chair Stedman WITHDREW his OBJECTION to adopting Version S. There being NO further OBJECTION, it was so ordered.

Senator Huggins inquired if the legislation was "common practice" for bringing on new sources of energy. He opined that geothermal energy will be one of the features of the state's future energy portfolio and will be abundant and affordable. Mr. Pawlowski agreed. He stated that the intent of the CS is to adopt a modern framework for geothermal exploration and development.

Co-Chair Stedman asked for more information about the percentage of the lease fee, now and after 10 years. Mr. Pawlowski reported that the royalty rate in current statute is anywhere between 10 percent and 15 percent of the gross electricity sales. The commissioner of DNR has the ability

to reduce that. Since geothermal energy is not exportable, in order to make Alaska competitive for the development of geothermal resources, the federal rate of 1.75 percent on gross electricity sales for the first ten years was adopted. That rate changes to a 3.5 percent of the gross sales for the following 10 years. Per the committee's request, Senator McGuire's office submitted an explanation of the annual rate under a specific project.

[9:21:47 AM](#)

Co-Chair Hoffman MOVED to report CSSB 243 (FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

Co-Chair Stedman noted three fiscal notes.

CSSB 243 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new zero fiscal by the Department of Natural Resources, a new zero fiscal note by the Department of Administration, and a previously published zero FN 2 (REV).

[9:22:45 AM](#)

#sb264

SENATE BILL NO. 264

"An Act relating to the board, investigations, and examinations of the Alaska Commercial Fishing and Agriculture Bank; and providing for an effective date."

Co-Chair Stedman asked if there were any questions about the bill. He noted one fiscal note.

[9:23:28 AM](#)

Co-Chair Hoffman MOVED to report SB 264 out of Committee with individual recommendations and the accompanying fiscal note.

SB 264 was REPORTED out of Committee with a "do pass" recommendation and with FN 1 (CED).

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ADJOURNMENT

The meeting was adjourned at 9:24.